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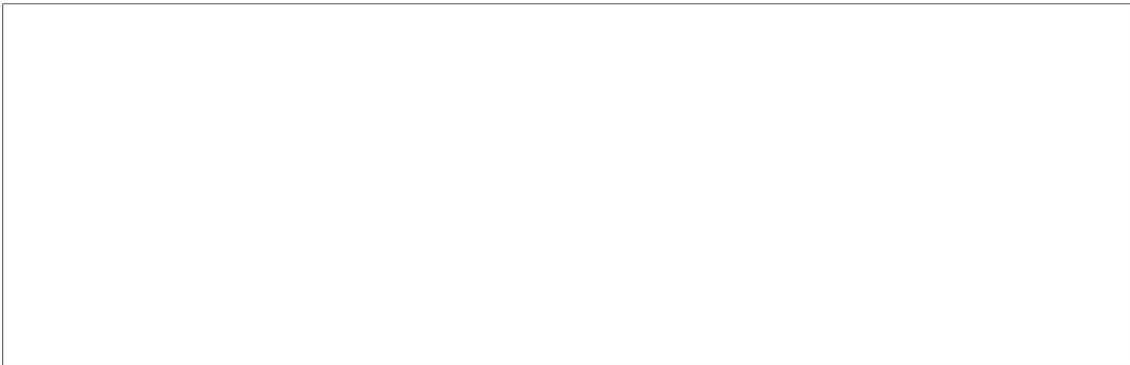
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CENTRAL INTELLIGENCE AGENCY



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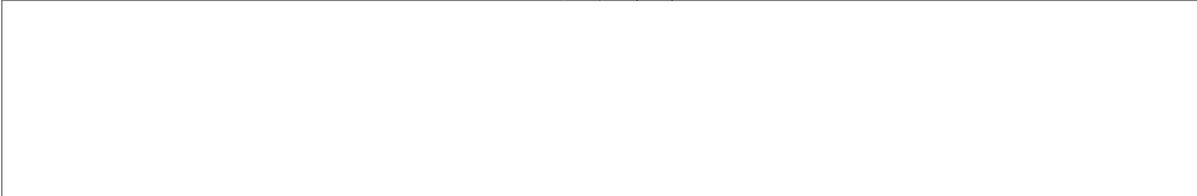
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FAR EAST

1. Chief Japanese delegate at Bandung talks with Chou on trade:



Japan's chief delegate to the Afro-Asian conference held a 30-minute conference with Chinese Communist premier Chou En-lai on 16 April. The two men agreed to discuss Sino-Japanese trade during the course of the conference and to reach an agreement, if possible, prior to its conclusion.



Comment: In Tokyo the Chinese Communist trade mission has been attempting to get the Japanese government to accept responsibility for execution of a private trade agreement. It has sought similar guarantees with respect to a private fisheries agreement signed on 15 April in Peiping.

These moves are designed to maneuver the Japanese government into de facto relations with Peiping.

2. Ogata seen replacing Hatoyama by July:



Democratic Party secretary general Kishi is confident that plans to replace Prime Minister Hatoyama by Taketora Ogata, former deputy prime minister and president of the opposition Liberal Party, will be carried out following passage of the budget in late June or July. Kishi told the American embassy that he has been entrusted with negotiations calling for at least a partial merger of the conservative parties, with new elections held in abeyance until the election laws have been amended to undercut the left.

If Ogata's 30-odd followers join the new party, Kishi believes, an additional 40 "neutrals" among the Liberals would follow, thereby assuring the party of a Diet majority.

Comment: Events thus far have reflected Kishi's influence and strategy to a remarkable extent. His plans, as revealed in considerable detail to the embassy last December, entail the replacement of Ogata and the old politicians by a younger, more dynamic set of leaders by 1957.

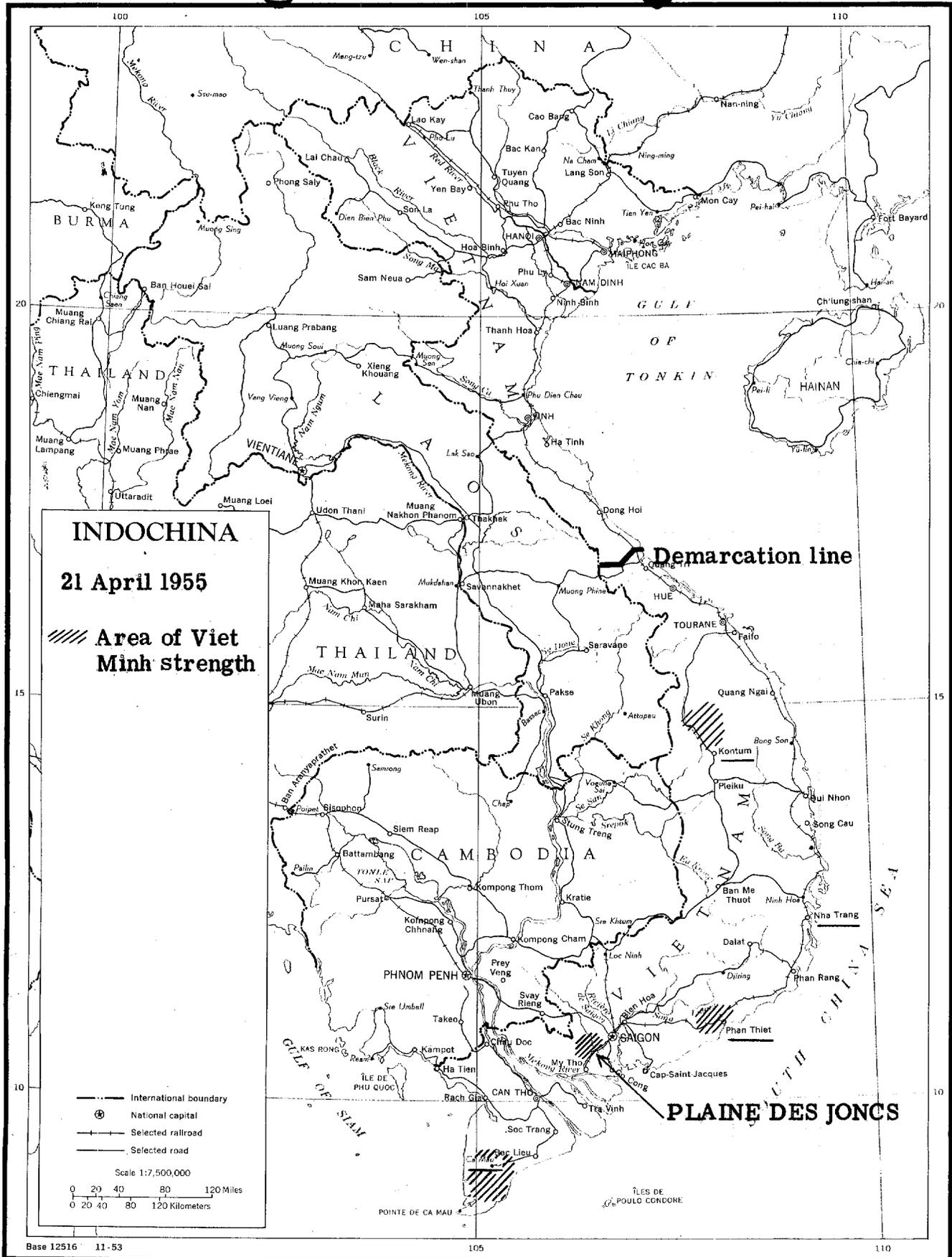
The reported willingness of Hatoyama and his top lieutenant, Bukichi Miki, to retire will greatly increase Ogata's prospects. Miki had previously opposed Kishi's efforts toward a Democratic-Liberal merger.

SOUTHEAST ASIA

3. Viet Minh strength in south:

Viet Minh strength south of the demarcation line is concentrated largely in the Kontum, Phan Thiet and Ca Mau areas and small scattered sections of Cochinchina, including the Plaine des Joncs, (see map, p. 5). The equivalent of about nine battalions--some 5,000 troops--are demobilized and scattered in small outlaw bands, and the Viet Minh is principally engaged in political activity and propaganda.

With little paramilitary activity now going on, the problem of eradicating Viet Minh elements is primarily one of establishing an effective civil government. In the Nha Trang area, however, disputes between Vietnamese military and civil authorities have resulted in limiting civil authority to an area not more than three miles beyond the town limits. if South Vietnam villagers could be assured of an effective administration and protection, they would volunteer information on arms caches and individual agitators. ~~(NOFORN)~~



4. Bao Dai reportedly requests funds from Premier Diem:

Bao Dai has asked Premier Diem to provide him with 30 million piasters (\$857,000 at the official exchange rate).

The source believes there is an understanding that on receipt of this money Bao Dai will remove Police Chief Lai Van Sang, a member of the Binh Xuyen.

Comment: Diem's insistence that the police must be removed from Binh Xuyen control is at the heart of the current crisis in Saigon, but it is doubtful that Diem would be prepared to pay this price while leaving Bao Dai still in a position to support any convenient opponent of the government.

Bao Dai, through his chief spokesman, has expressed his opposition to Diem's continuing in office, but has invited France and the United States to take the responsibility for the ouster, seeking thus to retain his customary maneuverability.

5. Comment on Afro-Asian conference developments:

The Bandung meeting has thus far been marked by strong anti-Communist, anti-neutralist activities of pro-Western delegates both in plenary and closed sessions. In addition to making hard-hitting speeches, these delegates have repeatedly thwarted or amended objectionable proposals introduced in the various committees.

In contrast, Communist China's Chou En-lai has assumed an attitude of "sweet reasonableness," while Nehru and the other neutrals have been forced into the background. Both Chou and Nehru, however, are showing signs of growing irritation, and a showdown may be imminent as the important political committee--composed of all chief delegates--moves to consider the matter of "coexistence."

Chou and Nehru are telling the conference that coexistence of countries having different social systems is possible, while the pro-Westerners maintain that coexistence is a myth as long as Communism retains its expansionist ambitions. This

debate is likely to determine whether the conference will break up on a controversial note or conclude with reasonable grace. It now seems apparent that no anti-Western resolutions will be adopted.

[redacted]

SOUTH ASIA

6. Afghan king reported seeking to replace Prime Minister Daud:

[redacted] Afghanistan's former prime minister Shah Mahmud on 15 April accepted a request of King Zahir Shah, his nephew, that he reassume the premiership, [redacted]

[redacted] the delay in announcing Mahmud's appointment may be due to the king's desire to await the end of the Bandung conference.

[redacted] Deputy Prime Minister Ali Mohammad had four times refused Zahir's offer of the premiership. [redacted]

[redacted] king will probably replace Prime Minister Daud with Defense Minister General Mohammad Arif. [redacted]

Comment: [redacted]

the king is actively seeking to replace Prime Minister Daud, rather than merely to discipline him and leave him in office.

An immediate major change in the government might compromise the status of the Afghan delegation at Bandung. Zahir might well desire to have Foreign Minister Naim and other influential members of the delegation in Kabul when any such change occurs.

NEAR EAST - AFRICA

7. Comment on growing rift in Syrian army:

Opponents in Syria's army of Chief of Staff Shawkat Shuqayr--a key supporter of the present anti-Western government--are organizing against him, [redacted]

[redacted] Because of Shuqayr's Lebanese origin and earlier connections with former dictator Shishakli, he is not popular. [redacted] 80 percent of the officer corps oppose Shuqayr.

Meanwhile Shuqayr is taking steps to rid the army of pro-Iraqi officers. [redacted]

[redacted] he will dismiss Brigade Commander Mahmud Shawkat, considered the leader of the pro-Iraqi faction in the army, whose dismissal probably would be strongly opposed.

Shuqayr currently holds the upper hand. If he persists in his present course, however, he may unify the factionalized officer corps against him. His overthrow would jeopardize the present government because its continuance in office depends on military support.

EASTERN EUROPE

8. East German cattle epidemic apparently not rinderpest:

[redacted] West German examination of meat imported from East Germany, where a rinderpest outbreak has been suspected, gave no indication of rinderpest infection. Careful investigations have shown that diseased animals had been eating "igelite" binder twine with their fodder. This twine contains tricresyl phosphate, which is toxic and apparently produces a rinderpest-like disease in cattle.

Comment: This report provides a logical explanation for the unusual outbreak of cattle disease which reportedly has been occurring in East Germany since August 1954.

As recently as 13 April, however, an East German broadcast indicated that the government is continuing to follow a previously established propaganda line in which "American agents" are being blamed for the disease outbreak. This serves the purpose of concealing the inadvertent use of a toxic substance in a binder twine and provides a partial explanation for the critical East German meat shortage.
(Submitted by OSI)

WESTERN EUROPE

9. Bonn may ease pressure on East Germany for truck tax repeal:

A West German trade official told Ambassador Conant on 20 April that Bonn could not hold out much longer against the growing pressure from business interests to release the huge backlog of export licenses held up since 1 April in retaliation against the East German tax on Berlin trucking.

The official argued that a general trade embargo would hurt West Germany more than East Germany, and that a selective embargo and administrative slowdowns were more practical measures. He feared that East Germany might cut off deliveries of brown coal to West Berlin and West Germany in retaliation for Bonn's refusal to deliver iron and steel.

He termed the East German action a clear violation of the 1949 four-power agreements on access to Berlin, and said that the next move on the truck tax question is up to the Allies.

Comment: Two Western notes of protest to Soviet ambassador Pushkin in East Berlin have been ignored and the Allies are now planning a demarche directly to Moscow.

LATE ITEM

10. Molotov says atomic bombing of China would set off war:

[REDACTED] [REDACTED]

[REDACTED] Foreign Minister Molotov told Austrian state secretary Kreisky on 14 April that "there are two things which would set off a war. One would be atomic bombs dropped on China; the other would be German troops invading Austria."

THE FORMOSA STRAITS

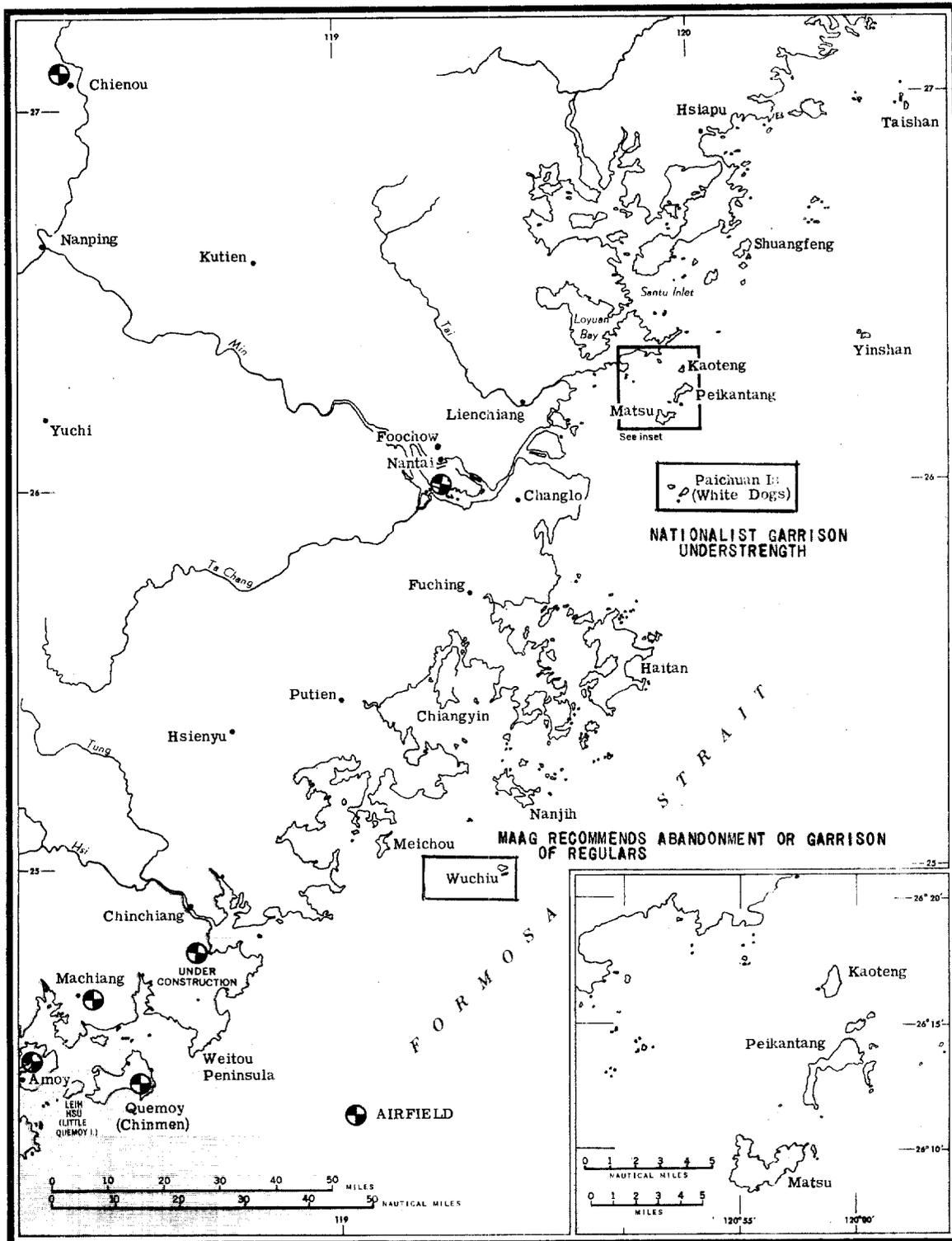
Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 21 April 1955.

1. The over-all rating of the Chinese Nationalist defense preparations on the Matsu Island Group is "satisfactory." This rating was the result of a series of combat readiness tests completed on 15 April by a team from MAAG (Formosa).

The series of tests did, however, note some serious weaknesses including the seriously understrength regiment garrisoning the Paichuan (White Dog) Group, 12 miles south of Matsu, the inexperience of the division staff garrisoning the Matsu Group, and the slowness of Ministry of National Defense augmentation of MAAG recommendations for increased weapons.

Other inspections of the offshore islands have shown that morale of the regular troops is generally high but the morale of the guerrillas is very low. The situation on Wuchiu, midway between Matsu and Quemoy, which is garrisoned by 600 guerrillas, is so bad that MAAG has recommended that it be garrisoned by regular troops or abandoned.



21 April 1955

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